liquidity by, at a minimum, maintaining sufficient liquid resources to effect same-day and, where appropriate, intraday and multiday settlement of payment obligations with a high degree of confidence under a wide range of foreseeable stress scenarios that includes, but is not limited to, the default of the participant family that would generate the largest aggregate payment obligation for the covered clearing agency in extreme but plausible market conditions:

- Rule 17Ad–22(e)(13) under the Act, which requires, in general, a covered clearing agency, such as DTC, to establish, implement, maintain and enforce written policies and procedures reasonably designed to ensure the covered clearing agency has the authority and operational capacity to take timely action to contain losses and liquidity demands and continue to meet its obligations.
- Rule 17Ad–22(e)(23)(i) under the Act, which requires a covered clearing agency, such as DTC, to implement, maintain and enforce written policies and procedures reasonably designed to publicly disclose all relevant rules and material procedures, including key aspects of its default rules and procedures.

IV. Procedure: Request for Written Comments

The Commission requests that interested persons provide written submissions of their views, data, and arguments with respect to the issues identified above, as well as any other concerns they may have with the Proposed Rule Change. In particular, the Commission invites the written views of interested persons concerning whether the Proposed Rule Change is consistent with Section 17A(b)(3)(F) of the Act, which requires, in general, a covered clearing agency, such as DTC, to establish, implement, maintain and enforce written policies and procedures reasonably designed to ensure the covered clearing agency has the authority and operational capacity to take timely action to contain losses and liquidity demands and continue to meet its obligations.

Interested persons are invited to submit written data, views, and arguments regarding whether the Proposed Rule Change should be approved or disapproved by April 16, 2018. Any person who wishes to file a rebuttal to any other person’s submission must file that rebuttal by April 30, 2018.

The Commission asks that commenters address the sufficiency of DTC’s statements in support of the Proposed Rule Change, which are set forth in the Notice, in addition to any other comments they may wish to submit about the Proposed Rule Change. Comments may be submitted by any of the following methods:

- Use the Commission’s internet comment form (http://www.sec.gov/rules/sro.shtml); or
- Send an email to rule-comments@sec.gov. Please include File Number SR–DTC–2017–022 on the subject line.

Paper Comments

Send paper comments in triplicate to Secretary, Securities and Exchange Commission, 100 F Street NE, Washington, DC 20549–1090. All submissions should refer to File Number SR–DTC–2017–022. This file number should be included on the subject line if email is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission’s internet website (http://www.sec.gov/rules/sro.shtml). Copies of the submission, all subsequent amendments, all written communications relating to the Proposed Rule Change that are filed with the Commission, and all written communications relating to the Proposed Rule Change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission’s Public Reference Room, 100 F Street NE, Washington, DC 20549 on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing also will be available for inspection and copying at the principal office of DTC and on The Depository Trust & Clearing Corporation’s website (http://dtcc.com/legal/sec-rule-filings.aspx). All comments received will be posted without change. Persons submitting comments are cautioned that we do not redact or edit personal identifying information from comment submissions. You should submit only information that you wish to make available publicly. All submissions should refer to File Number SR–DTC–2017–022 and should be submitted on or before April 16, 2018. Rebuttal comments should be submitted by April 30, 2018.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.

Eduardo A. Aleman,
Assistant Secretary.
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SEcurities AND eXchange COMMISSION


Self-Regulatory Organizations; NYSE Arca, Inc.; Order Approving a Proposed Rule Change To Amend NYSE Arca Rule 1.1(l) To Establish How the Official Closing Price Would Be Determined for an Exchange-Listed Security That Is a Derivative Securities Product if the Exchange Does Not Conduct a Closing Auction or if a Closing Auction Trade Is Less than a Round Lot

March 20, 2018.

I. Introduction

On January 19, 2018, NYSE Arca, Inc. (“Exchange” or “NYSE Arca”) filed with the Securities and Exchange Commission (“Commission”) pursuant to Section 19(b)(1) of the Securities Exchange Act of 1934 (“Act”) 1 and Rule 19b–4 thereunder, 2 a proposed rule change to amend NYSE Arca Rule 1.1(l) to establish how the Official Closing Price 3 would be determined for an Exchange-listed security that is a Derivative Securities Product 4 if the

3 See NYSE Arca Rule 1.1(l) for a definition of Official Closing Price.
4 With respect to equities traded on the Exchange, the term “Derivative Securities Product” means a security that meets the definition of “derivative securities product” in Rule 19b–4(e) under the Act. See NYSE Arca Rule 1.1(k). For purposes of Rule 19b–4(e), a “derivative securities product” means any type of option, warrant, hybrid securities

48 See Note 4, supra note 4.
Exchange does not conduct a Closing Auction or if a Closing Auction trade is less than a round lot. The proposed rule change was published for comment in the Federal Register on February 6, 2018. The Commission received no comment letters on the proposed rule change. This order approves the proposed rule change.

II. Description of the Proposed Rule Change

Current NYSE Arca Rule 1.1(ll)(1) provides how the Exchange establishes the “Official Closing Price” for Auction-Eligible Securities, which is used for purposes of NYSE Arca Rule 7–E. Specifically, the Official Closing Price for Auction-Eligible Securities is the price established in a Closing Auction of one round lot or more on a trading day. If there is no Closing Auction or if a Closing Auction trade is less than a round lot on a trading day, the Official Closing Price is the most recent consolidated last-sale eligible trade during Core Trading Hours on that trading day. If there were no consolidated last-sale eligible trades during Core Trading Hours on that trading day, the Official Closing Price will be the prior trading day’s Official Closing Price. For a security that has transferred listing to NYSE Arca and does not have any consolidated last-sale eligible trades on its first trading day, the Official Closing Price will be the prior day’s closing price disseminated by the former primary listing market. For a security that is a new listing and does not have any consolidated last-sale eligible trades on its first trading day, the Official Closing Price will be based on a derived last-sale associated with the price of such security before it begins trading on the Exchange.

The Exchange proposes to amend how the Official Closing Price for an Exchange-listed security that is a Derivative Securities Product would be determined if the Exchange does not conduct a Closing Auction or if a Closing Auction trade is less than a round lot. The Exchange proposes that the Official Closing Price for such securities would be comprised of both a time-weighted average price (“TWAP”) of the midpoint of the NBBO and the last five minutes of trading before the end of Core Trading Hours and any last-sale eligible trades during that period.

Specifically, if the Official Closing Price for an Exchange-listed security that is a Derivative Securities Product cannot be determined under proposed NYSE Arca Rule 1.1(ll)(1)(A) (i.e., if the Exchange does not conduct a Closing Auction or if a Closing Auction trade is less than a round lot), the Official Closing Price for such security would be derived by adding a percentage of the TWAP of the NBBO midpoint measured over the last five minutes before the end of Core Trading Hours and a percentage of the last consolidated last-sale eligible trade before the end of Core Trading Hours on that trading day, and the percentages assigned to each would depend on when the last consolidated last-sale eligible trade occurred.

The Exchange proposes that, if the last consolidated last-sale eligible trade occurred:

1. Prior to 5 minutes before the end of Core Trading Hours, the TWAP would be given 100% weighting;
2. Between 5 minutes and 4 minutes before the end of Core Trading Hours, the TWAP will be given 40% weighting and the consolidated last-sale eligible trade would be given 60% weighting;
3. Between 4 minutes and 3 minutes before the end of Core Trading Hours, the TWAP will be given 30% weighting and the consolidated last-sale eligible trade would be given 70% weighting;
4. Between 3 minutes and 2 minutes before the end of Core Trading Hours, the TWAP will be given 20% weighting and the consolidated last-sale eligible trade would be given 80% weighting;
5. Between 2 minutes and 1 minute before the end of Core Trading Hours, the TWAP will be given 10% weighting and the consolidated last-sale eligible trade would be given 90% weighting; and
6. During the last 1 minute before the end of Core Trading Hours, the TWAP will be given 0% weighting and the consolidated last-sale eligible trade would be given 100% weighting.

If the Official Closing Price cannot be determined under proposed NYSE Arca Rule 1.1(ll)(1)(A) or (B), as described above, the most recent consolidated last-sale eligible trade during Core Trading Hours on that trading day would be the Official Closing Price. If there are no consolidated last-sale eligible trades during Core Trading Hours on that trading day, the Official Closing Price will be the prior trading day’s Official Closing Price, as under the current rule.

The Exchange states that it will implement the proposed rule change no later than 120 days after this approval of the proposed rule change and will announce the implementation date via Trader Update.

III. Discussion and Commission’s Findings

After careful review, the Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange. In particular, the Commission finds that the proposed rule change is consistent with Section 6(b)(5) of the Act, which requires, among other things, that the rules of a national securities exchange be designed to promote just and equitable principles of trade, to foster cooperation and coordination with persons engaged in regulating transactions in securities, to remove impediments to and perfect the mechanism of a free and open market and a national market system and, in general, to protect investors and the public interest, and not be designed to permit unfair discrimination between customers, issuers, brokers, or dealers.
The Commission also finds that the proposed rule change is consistent with Section 6(b)(2) of the Act, which requires that the rules of an exchange not impose any burden on competition that is not necessary or appropriate in furtherance of the purposes of the Act.

The proposal would set forth the procedures governing how the Exchange would determine the Official Closing Price in Exchange-listed securities that are Derivative Securities Products when the Exchange does not conduct a Closing Auction or if a Closing Auction trade is less than a round lot. The Commission notes that the primary listing market’s closing price for a security is relied upon by market participants for a variety of reasons, including, but not limited to, calculation of index values, calculation of the net asset value of mutual funds and exchange-traded products, the price of derivatives that are based on the security, and certain types of trading benchmarks such as volume weighted average price strategies. As the Exchange notes, the proposed calculation for the Official Closing Price is designed to utilize more recent and reliable market information to provide a closing price that more accurately reflects the true and current value of a security, and certain types of trading benchmarks such as volume weighted average price strategies. As the calculation would take into account more recent firm quotations over less recent trades, which trades may provide less information about the value of a security that may be thinly traded or generally illiquid and when the Official Closing Price for such security may otherwise be based on a potentially stale last-sale trade. The Commission further notes that this objective calculation would be consistent with the requirements of the Act.

IV. Conclusion

It is therefore ordered, pursuant to Section 19(b)(2) of the Act, that the proposed rule change (SR–NYSEArca–2018–08) be, and hereby is, approved.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.

Eduardo A. Aleman,
Assistant Secretary.